

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
Meeting Date: March 19, 2019

***Request for Approval of Amendment 8 to Interagency Agreement No. 13-606 with the
California Air Resources Board Regarding the California Capital Access Program
Independent Contributor Program***

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Summary

Staff requests approval to amend Interagency Agreement No. 13-606 (“ARB 13-606”) between the California Pollution Control Financing Authority (“CPCFA” or “Authority”) and the California Air Resources Board (“CARB”). The Agreement funds loan loss reserve contributions for the On-Road Heavy Duty Vehicle Air Quality Loan Program (“CalCAP/CARB” or “Program”) and this amendment will:

- Extend the term of the ARB 13-606 from March 31, 2019 to June 30, 2020.

Health and Safety Code section 44519 provides that, “The authority may, by resolution, delegate to one or more of its members, its executive director, or any other official or employee of the authority any powers and duties that it may deem proper, including, but not limited to, the power to enter into contracts on behalf of the authority.”

Background

CARB is an Independent Contributor under the California Capital Access Program (“CalCAP”) and provides financial assistance to small business owners with heavy-duty diesel vehicles affected by CARB’s Statewide In-Use Truck and Bus Regulation and the Heavy-Duty Vehicle Greenhouse Gas Emission Reduction Regulation.

- The Program started in 2009 under an Interagency Agreement with CPCFA (“ARB 08-607”) totaling \$44.3 million, funded by CARB’s Air Quality Improvement Program (“AQIP”) monies.
- In February 2014 a second contract, ARB 13-606, was executed for an amount not to exceed \$10 million from SB 359 which supplemented ARB’s AQIP monies.
- In November 2014, ARB 13-606 was amended for an amount not to exceed \$20 million.
- On June 16, 2015, the Board approved Amendment 2 to ARB 13-606 to increase the maximum amount of the agreement to \$35 million, and also to provide zero interest loans from CPCFA’s Small Business Assistance Fund (“SBAF”) in increments not to exceed \$5 million to cover a lag in revenues from license fees to CARB’s AQIP fund.
- On February 16, 2016, the Authority approved Amendment 3 to ARB 13-606 increasing the maximum amount of the agreement to \$38 million.
- On June 21, 2016, the Authority approved Amendment 4 to ARB 13-606 to extend the expiration date to December 31, 2017, increase the allocated amount to ARB 13-606 to \$60 million, direct CPCFA to recapture contribution funds through regulatory action, permit CPCFA to use Small Business Assistance Funds to cover potential short-term cash flow needs, and direct CPCFA to research long-term sustainability.

**Agenda Item 4.A.
Resolution No. 19-02-002**

- On June 20, 2017, the Authority approved Amendment 5 to extend the expiration date of the ARB 13-606 from December 31, 2017 to March 31, 2018, increase the allocated amount to \$63 million, allow for use of funds received from settlement of enforcement actions pursuant to ARB's Supplemental Environmental Project Policy, allow program eligibility for engines using other fuel types and documenting the type of fuel used, and allow CPCFA to set aside \$845,838.72 for administrative and trustee costs associated with loans enrolled under the previous interagency agreement (ARB 08-607) between CPCFA and CARB.
- On December 12, 2017, the Authority approved Amendment 6 to ARB 13-606 to extend the expiration date of the agreement from March 31, 2018 to March 31, 2019, increase the allocated amount of the agreement from \$63 million to \$83 million, and add provisions to establish a Recapture Account and allow for 7% set aside for administrative and trustee costs associated with enrolled loans.
- On July 17, 2018, the Authority approved Amendment 7 to ARB 13-606, to increase the allocated amount from \$83 million to \$98 million.

As directed by CARB, CPCFA pursued regulatory action to establish procedures to recapture contribution funds from a lender's loss reserve account. Annually upon maturation of enrolled loans, recaptured funds will be used to support future contributions for eligible loans and administrative costs. Recapture is not applicable to the contributions for loans which have defaulted or were charged-off. The amount recaptured for 2017 was \$6,152,066.55. The total amount recaptured for 2018 was \$2,587,677.55.

A new Interagency Agreement No. 18MSC004 with CARB, approved by the Authority's Board at the February 19, 2019 board meeting, is expected to be approved by the Department of General Services by March 31, 2019. The new Interagency Agreement No. 18MSC004 provides an additional \$25.6 million for allocation to the Program for the fiscal year 2018-2019.

Any funds and interest transferred to CPCFA under the ARB 13-606 pursuant to the proposed Amendment 8 that have not been transferred to a lender's CARB loan loss reserve account, or have not been used to cover costs related to maintaining the CARB Trustee Accounts or CPCFA administration costs of the Heavy Duty Vehicle Air Quality Loan Program, shall be transferred for use in the new Interagency Agreement No. 18MSC004, up to \$35 million, subject to a corresponding amendment.

The Amended Agreement

The amendment will provide for the extension of the expiration date of the ARB 13-606 to June 30, 2020. The extension will provide sufficient time to amend the new Interagency Agreement 18MSC004 and transfer any unused funds to be administered under the new Interagency Agreement.

Staff Recommendation. Staff recommends approval of Resolution No. 19-02-002 to authorize the Executive Director or Deputy Executive Director to execute an eighth amendment to Interagency Agreement No. 13-606 to extend the term of the Agreement to June 31, 2020.

**RESOLUTION NO. 19-02-002 OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
AUTHORIZING THE EXECUTIVE DIRECTOR OR DEPUTY EXECUTIVE
DIRECTOR TO EXECUTE THE EIGHTH AMENDMENT TO INTERAGENCY
AGREEMENT 13-606 WITH THE CALIFORNIA AIR RESOURCES BOARD**

March 19, 2019

WHEREAS, the California Pollution Control Financing Authority (“Authority”) was created under the provisions of Division 27 (commencing with Section 44500) of the Health and Safety Code;

WHEREAS, Section 44522(c) of the Health and Safety Code provides that the Authority is authorized to do all things generally necessary or convenient to carry out its powers and the purposes under the California Pollution Control Financing Authority Act;

WHEREAS, Section 44519 of the Health and Safety Code provides that the Authority may, by resolution, delegate to one or more of its members, its executive director, or any other official or employee of the authority any powers and duties that it may deem proper, including, but not limited to, the power to enter into contracts on behalf of the authority;

WHEREAS, the California Air Resources Board (“CARB”) is an approved Independent Contributor under the Authority’s California Capital Access Program (“CalCAP”), as provided under Interagency Agreement No. 13-606 (“Agreement”) between the Authority and CARB;

WHEREAS, pursuant to the Agreement, the Authority provides CARB all the services it normally provides to Independent Contributors in the role as administrator of CalCAP, and other services specified in the Agreement in support of the On-Road Heavy-Duty Vehicle Air Quality Loan Program; and

WHEREAS, CARB desires to extend the term of the Agreement from March 31, 2019 to June 30, 2020.

NOW, THEREFORE, BE IT RESOLVED, that the Executive Director and Deputy Executive Director of the Authority are each hereby authorized, jointly and severally, to execute the Eighth Amendment to Interagency Agreement No. 13-606 with the California Air Resources Board extending the term to June 30, 2020.